GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1981
ANSWERED ON:31.07.2015
Gold Exchange Traded Fund
Raju Shri Gokaraju Ganga

Will the Minister of FINANCE be pleased to state:

(a) the details of number and value of investments in Gold Exchange Trade Funds (ETFs) as on date;

(b) whether Gold ETFs are offering poor returns resulting in reduction/deleption of investment in the said funds;

(c) if so, the details thereof and the reasons for the poor returns;
(d) whether the Government has introduced the Gold ETF with a view to prevent purchase of physical stock of gold in order to curb Current Account Deficit (CAD); and

(e) if so, the details thereof and other steps/measures taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a): The details of number and value of investments in Gold Exchange Trade Funds (ETFs) as on 30th June 2015 is given below:-

No. of Gold Exchange Traded Funds	Asset under Management (in ` Crores)
13	6,516,36

(b) and (c): A gold exchange traded fund is an exchange traded fund(ETF) that invests in gold and gold related instruments as the underlying and aims to track the price of gold. The returns of Gold ETF schemes is directly dependent on the returns on the underlying i.e. gold and accordingly, the net asset value of the gold ETF is calculated and disclosed on every business day. Gold ETFs do not offer any guaranteed or assured returns.

(d) and (e): The regulatory provisions prior to February 15, 2013, mandated Gold ETFs to invest predominantly in physical gold. However, Securities and Exchange Board of India (SEBI) vide circular dated February 15, 2013 has allowed Gold ETFs of Mutual Funds to invest in Gold Deposit Schemes (GDS) of Banks up to 20% of the net assets of the scheme.

The Government took series of measures to contain gold imports in order to contain Current Account Deficit (CAD) which inter-alia included:

â€¢ Gradual increase in customs duty from 2 per cent in January 2012 to 10 per cent in August 2013.

â€¢ The Reserve Bank of India put in place the 20:80 scheme for nominated banks/agencies/entities to rationalize the import of gold in any form / purity including import of gold coins / dore into the country. This together with other measures to contain imports led to significantly lower levels of trade and current account deficits in 2013-14. The continuance of this moderating trend in 2014-15 led to the withdrawal of the scheme in November 2014.

*****